

# Gift Aid

## How Gift-Aid Works



### What is Gift-Aid?

Gift Aid is a way for charities to increase the value of monetary gifts from UK taxpayers by claiming back the basic rate tax paid by the donor on the donation. It can increase the value of donations by a quarter at no extra cost to the donor.

### **Tax relief for charities**

Gift Aid is an easy way to help your charity maximise the value of its donations. You can reclaim tax from HM Revenue & Customs (HMRC) on the 'gross' equivalent of donations, their value before tax was deducted at the basic rate, currently 20 per cent. You can work out the amount of tax you can reclaim by dividing the amount donated by four. This means that for every £1 donated, you can claim an extra 25 pence.

### **Tax relief for donors**

If a donor is a higher or additional rate taxpayer, they too can benefit from tax relief as they can claim relief equal to the difference between the higher rate of tax at 40 per cent or 45 per cent and the basic rate of tax at 20 per cent on the total value of the donation - a total of 20 per cent and / or 25 per cent. So if £1 was donated, the 'grossed up' donation would be £1.25 and a donor liable at the 40 per cent tax rate could claim relief of 25 pence (20 per cent of £1.25).

The donor must pay at least as much UK tax (Income Tax and / or Capital Gains Tax) as the amount of Income Tax that you are reclaiming. If a donor makes a number of Gift Aid donations, including to other charities and CASCs, they must pay a sufficient amount of UK tax on the total amount of those donations and they may be required to pay any shortfall in tax paid to HMRC. You must advise the donor of their tax requirement and keep a record of your notification along with the donor's confirmation - known as a Gift Aid declaration.

### *Example*

Julia is a 40 per cent higher rate taxpayer and donates £100 to charity. As she pays regular Income Tax on earnings, the basic rate of tax on the donation has already been covered by tax payments and the charity claims back the basic rate tax of 20 per cent from HMRC. The charity can make a repayment claim of £25 (£100 divided by 4). As a higher rate taxpayer, Julia can claim the difference between the higher rate of tax at 40 per cent and the basic rate of tax at 20 per cent on the total value of the donation, so she can claim 20 per cent of £125, a total of £25.

## How does a charity apply to be recognised by HMRC for tax purposes?

Your area meeting or charitable organisation can apply to HMRC for recognition as a charity for tax purposes. To do this go to [www.gov.uk/charity-recognition-hmrc](http://www.gov.uk/charity-recognition-hmrc) or request the ChA1 form by telephoning 0300 123 1073.

### **Making changes once you are registered**

Use the online forms service or the postal form if your organisation is already registered and you need to tell HM Revenue and Customs (HMRC) about significant changes to your organisation.

[www.gov.uk/government/publications/charities-change-of-details-form-chv1](http://www.gov.uk/government/publications/charities-change-of-details-form-chv1).

Charity trustees and anyone involved in the day-to-day running of your organisation should also read the basic guidance on 'Fit and Proper Persons'. This guidance explains the need for charities to ensure that their managers are suitable to hold such posts and, in particular, that they haven't been involved in tax fraud or disqualified from being a charity trustee. It also includes a model declaration managers can sign.

### **Can we register for Gift Aid if we're not a registered charity?**

HMRC requires Gift Aid registration to be carried out by charities. For Quaker meetings this usually means that area meeting needs to register. Distribution of Gift Aid can happen within the charity accounting using the spreadsheet provided by HMRC to work out what needs to be distributed to each local meeting.

If your area meeting is still an Excepted Charity (not registered with the Charity Commission, England & Wales only) There is further information on this status at online at, [www.gov.uk/government/publications/exempt-charities-cc23](http://www.gov.uk/government/publications/exempt-charities-cc23).

### **Time limits to be aware of in relation to Gift Aid**

- You must claim the tax due on Gift Aid on all donation(s) within 4 years of the end of the accounting period you received it in.
- You must keep completed Gift Aid declarations for 6 years after the last donation you claimed Gift Aid on from that donor.
- You must keep all accounting records and bank statements for 6 years after the end of the accounting period that they relate to.

For further information on Gift Aid

### **Contact Quaker Life**

- [supportmeetings@quaker.org.uk](mailto:supportmeetings@quaker.org.uk)
- 020 7663 1007

### **Contact HMRC**

- [www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid](http://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid)
- HM Revenue & Customs Charities Helpline: 0300 123 1073 Opening hours 8.30am to 5.00pm, Monday to Friday. **Closed** weekends and bank holidays.